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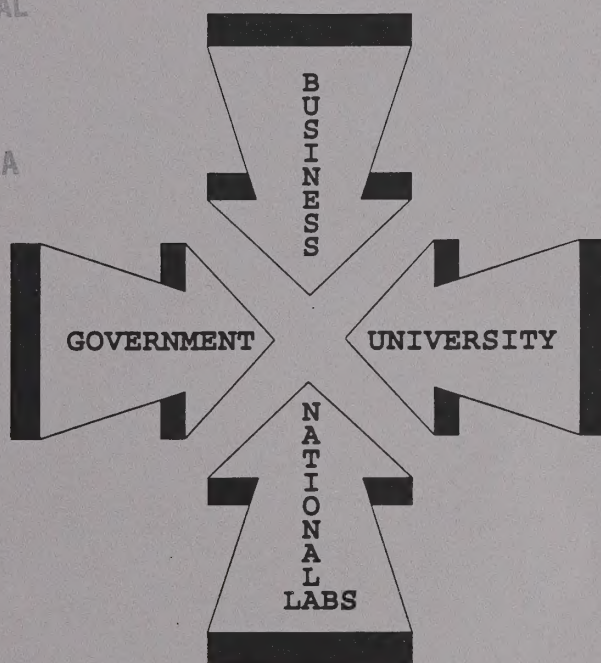
SAN FRANCISCO

EXPANSION PROPOSAL
AND
ECONOMIC IMPACT REPORT

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Prepared by the
Alameda County Economic Development Advisory Board

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UNIVERSITY OF CALIFORNIA SAN FRANCISCO

EXPANSION PROPOSAL AND ECONOMIC IMPACT REPORT

PURPOSE

The purpose of this report is to outline a cooperative local government proposal to attract the expansion of the University of California San Francisco's (UCSF) research facilities into Alameda County and to describe the economic potential of this expansion for the Bay Area and specifically, Alameda County. In addition, the unique benefits of that expansion for the region and the University in the areas of bioscience and technology transfer are discussed.

UCSF's impact goes far beyond its significant medical contributions. It also has substantial direct effect on people's lives, as well as a direct and indirect economic impact on San Francisco, the Bay Area, and the nation. UCSF is an integral part of the Bay Area's economy and as such is a stimulus for the region's growth and long term economic vitality. UCSF is a regional economic asset, very much like an airport or seaport, which benefits all parts of the regional economy no matter where it is located. Because of this, it is critically important that all the resources within the region are utilized to maintain an environment that allows UCSF to grow and expand and remain competitive.

BACKGROUND

Of the nine campuses of the University of California, UCSF is the only one dedicated solely to the health sciences. Peers rank UCSF's Medical School as the highest ranking public medical school in the country and its Schools of Nursing, Dentistry and Pharmacy are ranked in the top five of their fields. UCSF ranks eighth in total federal funding among all institutions of higher learning in the United States. It ranks at or near the top in the national competition for National Institutes of Health research and training grants, contracts, and fellowships.

One reason for UCSF's worldwide reputation is its record as a center where basic research and medical advances are closely linked. Research initiated at UCSF provided the basis for the development of biotechnology as a key growth industry in the Bay Area. Dozens of biotechnology firms were founded by UCSF faculty, including such major firms as Genentech, Chiron Corporation, and California Biotechnology.

A variety of special programs continue UCSF's tradition of research and advanced patient care. These include innovative programs involving cardiovascular, cancer, vision, and psychiatric research. In addition to patients treated at the three hospitals which make up the medical center - Moffitt/Long, Mount Zion Hospital, and Langley Porter Psychiatric Hospital - major affiliate programs are located at S.F. General, Veteran's Administration Medical Center in San Francisco, and in the Central Fresno-San Joaquin Valley. It should also be noted that two thirds of the inpatient admissions (approximately 14,000 out of 22,000) at Moffitt/Long hospital come from the Bay Area.

UCSF'S NEED FOR MORE SPACE

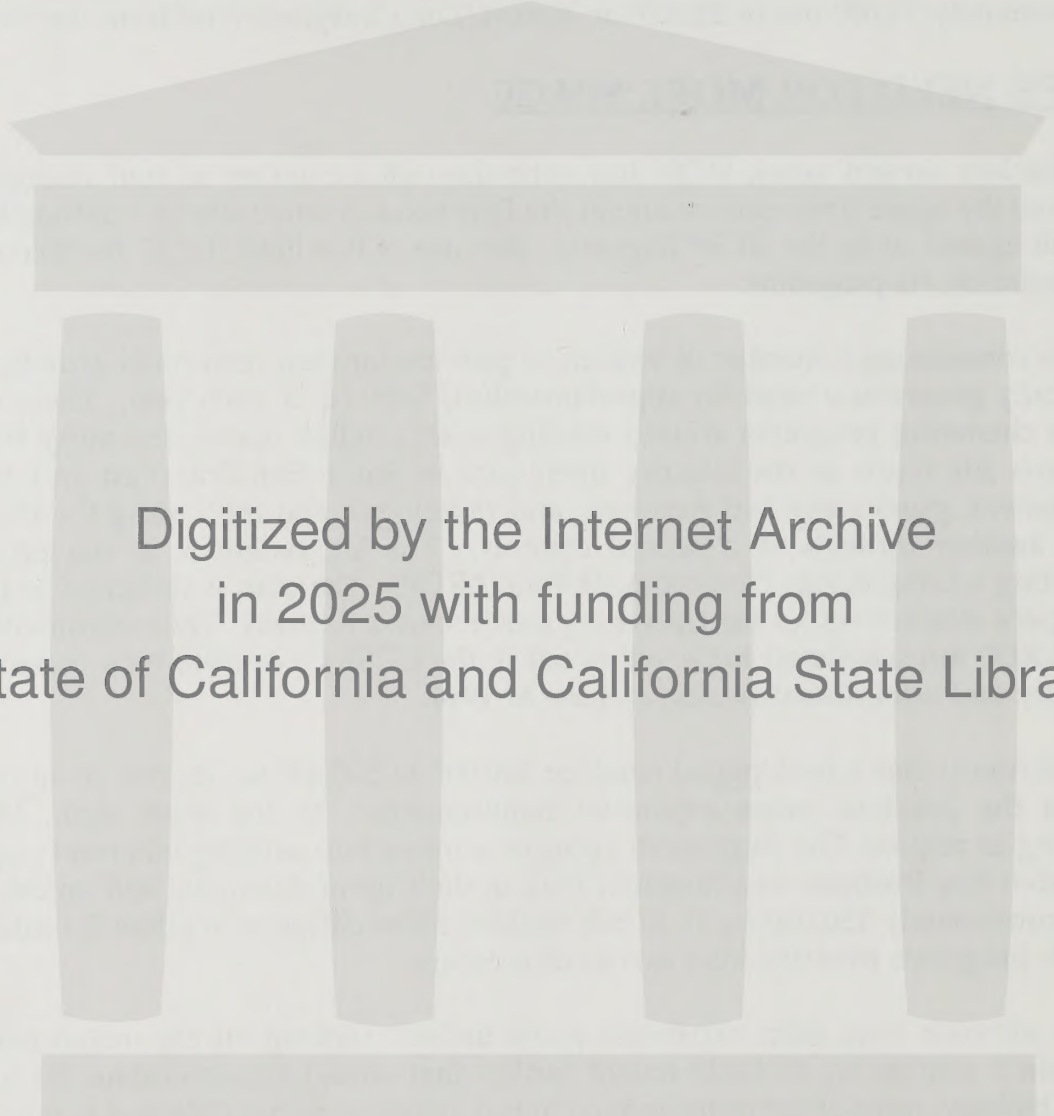
Over the last several years, UCSF has gone through a number of staff relocations to overcome the space limitation ceiling at the Parnassus Avenue site (3.5 million sq. ft. is the limit agreed to by the UCSF Regents). Because of this limit, UCSF has been forced to decentralize its programs.

UCSF is considering a number of options to provide for their continued growth, which historically generates a need for approximately 125,000 sq. ft. each year. These options include clustering programs around existing sites; satellite operations away from the Parnassus site (such as the laundry operations in South San Francisco and material management, purchasing and receiving, and radiology); and replicating the Parnassus site in another location as a second campus. The University is in the process of completing a Long Range Development Plan (LRDP). The plan is designed to provide other space alternatives for the University over the next 10 years. The recommendations of the LRDP are scheduled to be submitted to the UCSF Chancellor by a committee of 31 faculty and administrative staff in June of 1994.

UCSF currently has a backlogged need for 300,000 to 500,000 sq. ft., due to an inability to meet the previous years expansion requirements. In the short term, UCSF is preparing to request The Regents to approve a move into existing laboratory space in the Harbor Bay Business and Research Park in the City of Alameda, and an expansion into approximately 150,000 sq. ft. of bio-medical research space to allow for additional research programs over the next two to three years.

UCSF's ultimate long term expansion plans include seeking an expansion site for a minimum 2 million sq. ft. build-to-suit facility that would accommodate the areas of human biology, technology transfer and clinical activities compatible and supportive to these areas and other future research activity, i.e., a second campus.

The University is also seeking a location in an area which can accommodate an 1,000,000 sq. ft. of space for research and development activities by private sector affiliates. The University would also seek to coordinate and develop activities and relationships with existing health service providers (such as Kaiser, Summitt, Highland, etc.) if it does locate in the East Bay.



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THE ALAMEDA COUNTY/HARBOR BAY LOCATION

One alternative UCSF is considering to meet its short term expansion needs would move existing research personnel into approximately 40,000 sq. ft. of laboratory space at Harbor Bay Business and Research Park in the City of Alameda by January of 1994.

The Harbor Bay Business and Research Park is located close to both the Oakland International Airport and the Port of Oakland. In addition to the 3.5 million sq. ft. of fully entitled space in Harbor Bay, there are several other possible sites within the vicinity to accommodate location of spin off business development, including the following (see map for location):

1. City of Oakland: City of Oakland Enterprise Zone and the proposed Coliseum Commerce Redevelopment Area of approximately 4,100 acres, bounded by the City of Alameda on the south, Fruitvale Avenue on the west, San Leandro Blvd/E. 14th St. on the North and the City of San Leandro on the East. This area includes existing residential, commercial, manufacturing or wholesale space as well as some natural recreation and park areas;
2. Port of Oakland: The Oakland Airport Business Park (3 million additional sq. ft.) planned by the Port of Oakland;
3. City of San Leandro: San Leandro Airport Park (20,000 additional sq. ft. planned) and the San Leandro Industrial Center (249,450 leased, 90% occupancy); and a number of significant second generation buildings which are being remodeled for multiple tenants;
4. City of Alameda: Harbor Bay Business and Research Park, including 3.5 million sq. ft. of fully entitled bio-medical development and 500,000 sq. ft. of planned hotel and additional retail; Paragon Gateway Business Park (Alameda), Phase II, involving 93,000 sq. ft. of entitlements; and Alameda Gateway Business Park (132,000 sq. ft. planned) which is served by the Alameda/ Oakland Ferry; and
5. City of Emeryville: City of Emeryville Redevelopment area which includes approximately 50 acres of vacant developed land, vacant office space totaling 150,000 sq. ft. which could be converted to lab space, and 150,000 to 200,000 sq. ft. of industrial/warehouse space that could also be converted.



LEGEND

- HARBOR BAY BUSINESS PARK/HARBOR BAY VILLAGES
- HARBOR BAY PRESENTATION CENTER
1141 HARBOR BAY PARKWAY
- HARBOR BAY B.A.R.T. SHUTTLE
- HARBOR BAY MARITIME



HARBOR
BAY
BUSINESS
PARK

FROM SAN JOSE: Take I-880 northbound to Hegenberger Road exit. Left on Hegenberger to Doolittle, right on Doolittle to Harbor Bay Parkway, left on Harbor Bay Parkway.

FROM SAN FRANCISCO: Take Highway 80 eastbound across the Bay Bridge and connect with I-880 southbound. Continue on I-880 to Hegenberger Road exit. Right on Hegenberger to Doolittle, right on Doolittle to Harbor Bay Parkway, left on Harbor Bay Parkway.

FROM BERKELEY: Take I-880 southbound to Hegenberger Road exit. Right on Hegenberger to Doolittle, right on Doolittle to Harbor Bay Parkway, left on Harbor Bay Parkway.

It is evident that there currently exists in these areas a variety of office, light industrial and warehouse/distribution space available for lease or purchase, and it is available at very competitive prices. The following information, obtained from a regional brokerage firm's (COMCORE) second quarter 1992 newsletter, has been included to provide an illustration of what is currently available in the I-880 corridor (Berkeley to Fremont):

<u>Type of Space</u>	<u>Sq.Ft. Available</u>	<u>% Vacant</u>	<u>Under Construction</u>	<u>Lease/Sq.Ft.</u>
Office - Class A:	619,627 sq. ft.	10.9%	1,400,000 sq. ft.	\$1.30 - \$2.00
Office - Class B:	143,038 sq. ft.	14.6%	137,038 sq. ft.	\$.85 - \$1.40
Lt. Industrial:	65,144,290 sq. ft.	21.5%	0	\$.20 - \$.34
Warehouse/Dist:	14,600,236 sq. ft.	30.4%	0	\$.20 - \$.30

Transportation Link from San Francisco to Harbor Bay:

Expansion to Alameda County is contingent upon the creation of an ongoing, reliable, dedicated and timely transportation link between China Basin in San Francisco and Harbor Bay in Alameda. UCSF needs this link to move staff and material back and forth between the Harbor Bay site and the facilities that will remain at the Parnassus site (i.e., clinics, hospital, library, etc.) with a minimum of delay.

One way to achieve this transportation link is via a high speed ferry that would move personnel and equipment from the Parnassus Campus to Harbor Bay in approximately 30 to 40 minutes, door to door. If a reliable and timely ferry transportation link can be established from San Francisco to Harbor Bay, then Alameda County will be in a strong position for the next phase of the UCSF expansion.

Therefore, the cities of Oakland, Alameda, San Leandro, Emeryville, and Alameda County are cooperating in the development of a plan to provide ferry service between China Basin and Harbor Bay. This plan would be used to assist in the acquisition and start up of the ferry service in order to obtain UCSF's commitment to occupy 190,000 sq. ft. in the East Bay, and to support the ferry service until UCSF's presence can independently cover the ferry service's cost.

The Alameda County Economic Development Advisory Board (EDAB) is working with all the parties to facilitate this cooperative effort and the development of the plan.

CURRENT REGIONAL IMPACT OF UCSF

Employment:

UCSF has 14,491 full and part-time faculty and staff located in San Francisco, the Bay Area, and elsewhere in California. While 60% of the faculty and staff reside in San Francisco, the next highest total of staff, 16% or 2,319 employees, reside in the East Bay.

UCSF is one of the largest employers of entry level workers in San Francisco, as well as a magnet for the Bay Area's well-educated and highly skilled labor pool. The primary areas of employment at the University are health care, academic personnel and clerical services.

Affirmative Action:

UCSF has the third highest level of under-represented minority medical and dental enrollment in the continental United States behind predominantly minority Howard and Meharry Medical Colleges. 38% of the jobs at UCSF are held by Blacks, Asians, Hispanics, and American Indians. Women make up to 60% of the workforce and 41% of the management staff.

Through its Small Business Contract Department, UCSF awarded 13.4% of its purchasing and construction contracts (nearly \$26 million) to minority and disadvantaged businesses. Another 3.7% (\$7.3 million) went to women-owned businesses and \$76.2 million (39.5%) went to small businesses.

UCSF AND THE MULTIPLIER EFFECT

Operating Budget:

For fiscal year 1990-91, UCSF's operating budget was \$957 million, of which \$396 million was expensed as wages, salaries and employee benefits. The other major areas of expenditure are patient care (39%), support services (23%), research (22%), and instruction (15%). The University receives approximately 40% of its funding from patient care revenue and 26% from private sources, fees, gifts, etc. It receives approximately 35% of its funds from the federal and state government.

It is estimated that UCSF employees have savings in excess of \$24 million invested in the Bay Area. The retirement funds that the employees receive enhance the regional economy, just as the millions invested in current retirement benefits expands the region's investment pool.

Multiplier Effect:

UCSF's total economic impact on the Bay Area is much greater than the sum of the direct expenditures made by University faculty, staff, and students. This is because each dollar spent cycles through the economy several times, generating additional income and jobs within the region.

This cycling of dollars in an economy, is referred to as "the multiplier effect." A study of the regional economy by the Association of Bay Area Governments (ABAG) estimates that each dollar spent in the Bay Area by institutions such as UCSF generates another 40 to 80 cents in spending by Bay Area inhabitants and businesses before it leaves the region. Using an income multiplier of 1.4 to 1.8, the impact of UCSF direct expenditures of is between \$1.3 and \$1.7 billion.

As in the case of expenditures, there is also a multiplier for job growth. The ABAG estimates that 39 jobs are created for each additional \$1 million in expenditures. Using this multiplier, the job impact on the region of the direct expenditures of UCSF is 37,323 jobs in the Bay Area.

EXPANSION IMPACT ON ALAMEDA COUNTY

UCSF has an immediate need for finished laboratory space and the potential for two additional expansion phases. The phases and their economic impacts are as follows:

40,000 Sq. Ft.:

There is an immediate need for space designed to alleviate the overcrowding in UCSF's research facilities and programs. This stage is to be completed by January 1994 with the leasing of approximately 40,000 sq. ft. of laboratory space for 60 people. The facility will house existing research staff and their clerical support staff from the San Francisco campus. The research staff would include researchers, staff research assistants, and administrative assistants for clerical support.

Many of these jobs are expected to be in the salary range of \$20,000 to \$40,000 per year. If a (conservatively estimated) average employee's salary is \$30,000 per year, the wage expenditures for UCSF would be \$1.8 million. Using the multipliers of 1.4 and 1.8, as previously discussed, \$1.8 million in direct expenditures would have an income impact of between \$2.5 million and \$3.2 million per year.

Using an Urban Land Institute survey, conducted in 1987, the average suburban office worker spends \$910 per year at restaurants and food stores during the workday and another \$90 after work.

The survey also indicated that the worker is likely to spend as much as \$600 per year on apparel and other shopper goods at stores within a two mile radius of their office. Using these figures as a guide, and taking into account increases in the CPI, 60 new workers would generate approximately \$117,888 per year in food, after work purchases, and other shopping goods. Using a 75/25 split based on the City of Alameda's retail sales capture rate of 73% in 1990, approximately \$88,416, would be spent in the City of Alameda and \$29,472 within the rest of the County.

150,000 Sq. Ft.:

If approved by The Regents, the expansion of 150,000 sq. ft. will take place over a two to three year period. Because the University has not determined which specific research program will be part of this expansion, we do not know exactly what types of jobs and associated wage scales would occupy the space. Using the industry standard space per employee of 300 sq. ft. for researchers, it is estimated that 500 employees people would staff this expansion.

Based on the average employee salary of \$30,000 per year, the wage expenditures for this expansion would be \$15 million. Applying the 1.4 to 1.8 range multiplier discussed earlier in this report, \$15 million in direct expenditures would generate a total expenditure of between \$21 million and \$27 million per year.

Using the Urban Land Institute survey data on purchases, 500 employees would generate approximately \$982,400 per year in food, after work purchases, and other shopping goods, \$736,800 within the City of Alameda and \$245,600 within the rest of the County.

1,000,000 - 2,000,000 Sq. Ft.:

The expansion of 1 to 2 million sq. ft. is the long term or ultimate expansion stage for UCSF. This expansion would in fact be a second campus for the University and could include a regional surgical institute and additional expansion of research facilities and programs. Again using the industry space standard of 300 sq. ft. per researcher, the number of staff estimated occupying this facility would be 3,333 to 6,666.

Again using an average employee salary of \$30,000 per year, the wage expenditures for the second UCSF campus would be between \$100 to \$200 million and multipliers of 1.4 and 1.8 would generate between \$140 to \$360 million. These employees would generate approximately \$4.9 to \$9.8 million per year in food, after work purchases, and other shopping goods in the City of Alameda and \$8.1 to \$16.2 million in the rest of the County.

If a second UCSF campus were to be established in the East Bay, as many as 70% of the employees could be expected to reside in the East Bay, over the long term, based upon the experience of major employers in Alameda County.

Employment:

While 16% of UCSF's San Francisco based facilities employment currently reside in the East Bay, it is reasonable to assume that over time, the residential pattern of employment from an East Bay UCSF facility would tend to mirror the pattern experienced by major employers in the East Bay. Transportation Systems Management (TSM) studies of Alameda Hospital and employers located in Harbor Bay and Alameda Marina Village Business Parks suggest the following residence distribution for UCSF employees of an East Bay facility over the long term:

- East Bay - 71%
- Alameda 25- 35%
- Oakland 17%
- San Leandro 7%
- Other 12%
- San Francisco 10 - 25%
- Other 4%

To the extent these new residents occupy newly constructed housing and increase the East Bay population, their disposable income projects dollars into the local economy. Alternatively, the same effect will be created to the extent that they, through turnover, replace older, existing households with lower amounts of discretionary income. Furthermore, these potential new local residents will tend to increase demand for housing, thereby supporting local housing markets.

Hotel/Conference Sector:

Location of a second UCSF campus at Harbor Bay Business and Research Park would add significant demand for local hotel and convention space.

A recent survey of hotels and conference facilities in the vicinity of Lawrence Livermore Laboratory indicates that hotels in close proximity to the Lab derive between 30 to 42% of their lodging business from the Lab. Demand for luncheons, meetings, and conference space generated by the Lab runs as high as 50% of local hotelier's business. One hotel reports a 78% occupancy, when industry average occupancy rates, according to the Urban Land Institute, currently stand at 60%.

Information from hotels in the Oakland Airport area suggests that current occupancy rates run as high as 80%. Possible location of a second UCSF campus at Harbor Bay Business and Research Park could lead to demand for expansion or development of new hotel/conference space, with attendant job creation and other economic effects associated with the hotel service sector.

Harbor Bay Business and Research Park holds entitlements to develop up to 540,000 sq. ft. of retail and hotel space.

RESEARCH AND DEVELOPMENT EXPANSION IN THE COUNTY

Besides the direct benefits derived from the jobs and expenditures that UCSF might bring to the area, there are other benefits that are harder to quantify, but potentially much greater in significance to the County and the region, such as new business formations and related business locations.

Research As A Small Business Generator:

The high tech and biotech revolutions were both created and continue to evolve, due in large part to the growth and development of small companies that have spun off from the activity at major research institutions. Research at UCSF itself is credited with the virtual startup of the biotech industry. For the past several years these start up and expanding biotech companies, in turn, have been able to grow by attracting venture capital. The promise of these research based products and companies is so great that for the past several years the Bay Area has attracted the lion's share of the several billion dollars of venture capital available nationally. The Silicon Valley computer industry has a similar history.

A substantial UCSF research function in the East Bay would further promote the creation of small businesses throughout the Bay Area and help to continue the area's lead in attracting venture capital, and further enhance the East Bay's attractiveness as a desirable location for bioscience firms.

Locational Effects On Research and Development:

Many important communications do not take place within formal channels. Despite tremendous advances in telecommunications, researchers as well as business interests still gain a distinct advantage from living, socializing or working in areas where there is a critical mass of intellectual activity and where it is easy to meet face to face.

This is particularly true in the rapidly changing field of biotech. The ability to socialize with those in the field is important to keep current with a steady stream of new developments. Research itself has advanced most rapidly where there is a free and frequent exchange of ideas. In this respect, Alameda County is a particularly good location for biotech research because the intellectual community already includes the University of California, Berkeley and three national laboratories - Lawrence Berkeley, Lawrence Livermore and Sandia California. In addition, the City of Oakland's Bay Area BioScience Center lists over 70 biotech business in Alameda County, further contributing to the research and development activity in the East Bay.

As the economy adjusts to a post-cold war political climate, the East Bay will become even more important as a center for research and development. The federal laboratories are now aggressively pursuing new alliances with other governmental agencies, the academic community and the private sector. The next few years offer the potential for a rapid increase in new cooperative research projects; the opening of previously closed federal research facilities; and major new sources of funding. Facilities located in the East Bay will be in a much better position to meet lab scientists and to take advantage of these opportunities as they become available due to locality and access factors.

The level of research and development in the area has also stimulated the creation of supporting infrastructure. California State University at Hayward is actively pursuing the creation of a small business incubator focusing on the commercialization of new technologies in Oakland. A financial firm has expressed interest in establishing a venture capital fund to support these companies and several federal government officials are considering using the incubator as a national model for technology transfer.

The University of California itself is moving aggressively to commercialize its technologies and has created a system-wide technology transfer office located at Harbor Bay in Alameda. UCSF research is already the largest single source of license revenue for this office. A move by UCSF to Alameda would facilitate the commercialization process by making the research more accessible to those marketing it.

The addition of UCSF researchers to the East Bay business and research network promises to provide an important addition to the intellectual community of the East Bay. In turn, the University will benefit substantially from interaction with the existing network and by the supporting infrastructure.

Increasing Competitiveness:

The area's potential for becoming not only a biotech research center, but also a major biotech production center was given a big boost when Miles Inc. and the City of Berkeley settled on terms for a thirty year development agreement.

Miles' decision has focused attention on the many advantages Alameda County has to offer the biotech industry - the availability of trained workers, the large amount and quality of research and development being conducted in the area, and the availability of venture capital. Miles' decision means hundreds of new jobs not only for scientists, but also for technicians, construction workers and clerical staff.

A decision by UCSF to locate research facilities in Alameda County will add to the reputation of the area as a major growth center for biotech research and development. It will increase the desirability of local communities hoping to attract biotech businesses and suppliers.

A good example of this is the recently reported 20 businesses with upwards of 500 employees that have indicated interested in locating adjacent to the new second campus.

CONCLUSION

The research and economic benefits to the region and Alameda County from the location of the research and development facilities (and ultimately a second UCSF campus) in Harbor Bay are incontestably worth the collaborative effort proposed. The addition of UCSF to the critical mass of biotech, bioscience and research institutions in the East Bay would make this industry an incredible resource, fueling economic and research engines of the years to come.

The role of local government to provide the leadership, incentive and support to the University is an unprecedented and unparalleled effort which cannot be overstated. It is emblematic of our commitment to act decisively and aggressively and to promote economic opportunities for the County and region.

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